

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:282
ANSWERED ON:02.08.2002
INTEREST RATES OF BANKS
LAXMINARAYAN PANDEY

Will the Minister of FINANCE be pleased to state:

- (a) whether rates of interest on various deposits are cut down by the Government from time to time;
- (b) if so, the number of such cuts in interest rates during the last three years alongwith the reasons therefor;
- (c) whether rates of interest on loans given by the banks are also cut in the same proportion; and
- (d) if not, the reasons therefor?

Answer

MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH)

(a).(b).(c) &(d): A Statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a), (b), (c) & (d) OF LOK SABHA STARRED QUESTION NO.282 FOR AUGUST, 2002 REGARDING INTEREST RATES OF BANKS BY DR. LAXMINARA YAN PANDEYA

(a) & (b) Interest rates on deposits and advances by banks, regulated by the Reserve Bank of India (RBI) have, over time, now been largely deregulated. Since October 1997, RBI has given freedom to commercial banks to determine the interest rates on deposits except for interest rate on savings deposit. The term deposit rates of the public sector banks during the last three years have been as follows:

March 2000 March 2001 March 2002 July 2002

Deposit Rates	5.00-11.00	4.00-10.50	4.25-8.75	4.25-8.25
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The current softening of interest rates on deposits is largely attributed to a comfortable liquidity position of the banks, as well as a decline in inflation rate.

(c) & (d): Interest rates on advances were also deregulated with effect from October 1994 and individual banks are free to determine the interest rates for credit limits above RS.2 lakhs with the approval of their respective Boards. For credit limit upto Rs.2 lakhs, the banks have been advised to charge interest not exceeding the Prime Lending Rate (PLR). The PLR of public sector banks during the last three years are given below:

March 2000 March 2001 March 2002 July 2002

PLR	12.00-13.50	10.00-13.00	10.00-12.50	10.00-12.50
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The lending rates of commercial banks during the last three years have also shown a downward trend although not in the same proportion, mainly due to the high cost of long-term deposits mobilized by banks at fixed interest rates and the relatively high overhang of non-performing assets (NPAs) etc.